

LOWER PAXTON TOWNSHIP
BOARD OF SUPERVISORS

Minutes of Workshop Meeting held November 27, 2012

A workshop meeting of the Board of Supervisors of Lower Paxton Township was called to order at 5:30 p.m. by Chairman William B. Hawk, on the above date in the Lower Paxton Township Municipal Center, 425 Prince Street, Harrisburg, Pennsylvania.

Supervisors present in addition to Mr. Hawk were: William C. Seeds, Sr., William L. Hornung, Gary A. Crissman and David B. Blain.

Also in attendance was George Wolfe, Township Manager; Steven Stine, Township Solicitor; PSD David Johnson; Chief Fife and Jim Rowell, Paxtonia Fire Company; Chief Tom Swank, Ben Shields and George Byerly, Colonial Park Fire Company; Mike Kafka, Linglestown Fire Company; and Watson Fisher and Ted Robertson, SWAN.

Pledge of Allegiance

Mr. Crissman led in the recitation of the Pledge of Allegiance.

Public Comment

No public comment provided.

Discussion with representatives of the Township's Fire
Companies regarding the Volunteer Firefighter's Relief Association

Mr. Hawk noted that the purpose of this meeting is to come to an understanding of the issues that are plaguing the three fire companies in regards to Lower Paxton Township Firemen's Relief Association (FRA). He noted that the Board may ask questions to get a better idea of what the issues are for this agenda item.

Chief Fife noted that Mr. Jim Rowell is the president of the Paxtonia Fire Company and he explained that he has not voted on this issue with his fire company yet.

Mr. Rowell noted that he was invited to come to the meeting and questioned what the Board wanted to discuss. Mr. Hawk explained that he was told that Paxtonia would like to create

its own FRA. Mr. Rowell answered that is correct. Mr. Hawk requested Mr. Rowell to explain this to the Board. Mr. Rowell answered that there is nothing new to share from the last time he met with the Board; he questioned what the Board wanted clarification on. Mr. Hawk noted that Paxtonia will become an independent association apart from the other two fire companies and it would legally control its funds and the Board has no legal ability to stop that. He noted that the Board is concerned about the change, noting that an audit would be needed and the service area needs to be defined. He explained that the money is paid to the Township which then distributes it to the FRA. He noted that the overriding concern is the how the cooperation between the fire companies is breaking down.

Mr. Rowell noted with regard to the fire company and the funds provided on an annual basis from the Township, they are not in play or have anything to do with the FRA dollars. He noted that FRA is separate account. Mr. Stine noted that the Board understands that and Mr. Hawk is referring to the money that comes from the Commonwealth to the Township and is redistributed and the methodology for doing that.

Mr. Rowell noted that he cannot answer all the questions until the process is completed, but with two relief associations, for the sake of discussion, two thirds would go to the current FRA and the other third would go to newly formed Paxtonia FRA. He noted that the court will ultimately make the decision and his assumption is that a judge would have to make that decision. Mr. Stine questioned, since the FRA is a non-profit organization, does it have to go through the orphans court. Mr. Rowell answered that he did not know.

Mr. Rowell noted as far as working together, he was not sure that it was any more or less improved now than as it was in the past. He suggested that it is more a matter of mechanics, having two associations. He suggested that the dollars will be managed differently; using the same rules and guidelines for how the money would be spent. He noted that you can only use the funds for certain items. Mr. Stine questioned what the reason for having two FRA is. Mr. Rowell answered that we had this same meeting a few months ago; noting that Paxtonia has concerns about FRA, the use of the funds and how they are distributed. He explained that they would like to make some changes to a few bylaws. He noted that those changes were rejected and the Paxtonia Fire Company decided to protect itself, in its ability to provide service to the Township in order to have more control over how those funds are spent.

Mr. Stine requested Mr. Rowell to provide an example of that. Mr. Rowell noted when there is no more money from the annual allotment for a particular fire company; borrowing into future years is a concern to us. He noted that Paxtonia does not see a need for that and it is not a wise thing to do. He noted that we would like to see that cease. He noted when there have been opportunities to help each other there is nothing to stop others from taking advantage of those funds especially in the years gone by. He noted a few years ago, one of the fire companies needed a substantial amount of money to purchase cylinders and air pacs and they didn't have the money. He noted that he offered to take it out of Paxtonia's allotment to pay since they had the funds available. He explained that the fire company rejected that and he questioned why anyone would borrow against future money. He noted that he wants to ensure that the funds are there are for the Paxtonia Fire Company to be used wisely.

Mr. Stine questioned how the FRA works, and if the members from all three fire companies are members. Mr. Rowell answered yes. Mr. Stine questioned how many people would that be. Mr. Rowell answered that 115. Mr. Wolfe noted that it includes active fire fighters and fire police officers. Mr. Stine questioned if that group elects the officers. Mr. Rowell noted that the President and Chief from each fire company are automatically on the FRA Board and each company provides one additional member at large to make a nine member board. He noted that each year the nine members vote for the President, Secretary and Treasurer for the FRA. Mr. Stine questioned if that executive body runs the Firemen's Relief Fund. Mr. Rowell answered yes, noting that their main duty is to ensure that the expenditures are within the guidelines of the Act.

Mr. Stine questioned if there are times when the all members of the FRA vote on issues. Mr. Rowell answered yes for bylaw changes or amendments; the process is to take it back to each fire company for its approval. Chief Fife noted that Paxtonia members will vote on an issue, for example, if he wants to buy gloves he would bring it up in the regular monthly meeting as they understand that it is the money received from the tax base, noting that the three Board members have no control over spending without his membership approving it first. He noted that is how this meeting came about as the Paxtonia membership voted unanimously to leave the FRA and start its own relief association.

Mr. Hawk noted that assuming this goes through and you have the right to do it, how do you see your inner working relationship with the other two fire companies. Mr. Rowell answered that it will not be better, but he does not think that it is great now. He noted that whatever the outcome is for this it would not make much of a difference in the relationship between the three fire companies.

Mr. Crissman questioned why that is and what can be done to get all three fire companies to work together. He noted in 1863, the southern colonies decided they wanted to do something different; we are still the United States of America and he is trying to bring the colonies back together. He questioned what is the dissention and why can't we make it work. Chief Fife answered that he could write a book about that but he won't do that as it gets too personal. Mr. Crissman noted that we have to deal with what is in the best interest for the Township. He noted, for him, it has nothing to do with personalities; rather it is his job to do what is in the best interest of Lower Paxton Township. He noted that we need to work together as a team and he does not see that and he is asking what we can do to fix it.

Chief Fife noted that you can't fix it by trying to keep three fire companies together when you have two fire companies who at the last meeting of each year want supplies when they are out of money. He noted that is what you have now. He noted that Paxtonia has almost \$250,000 in its account, look at the books; you have one fire company with over \$200,000 and two fire companies with less than \$10,000 at the end of each year. He questioned is the money to be spent just because it is there or is it a money management issue.

Mr. Crissman questioned with all the money the Township provides to the fire companies each year without asking for an audit or accountability, should the Township start making rules and regulations on how the money shall be spent. He noted that he did not think that is what the fire companies want, and that is not what the Township wants as it wants to provide the autonomy that the fire companies need. Chief Fife noted that it would have to supply each fire company with 100% of its operating costs. He noted that he has firemen delivering the mailers to the post office tomorrow to generate the other \$60,000 a year Paxtonia needs to operate. He noted that the Township's funding is only a portion of what it needs to function. He noted if the volunteers did not go out to raise the funds for all three fire companies... Mr. Crissman noted that he is not firing bullets... Chief Fife noted that you are welcome to audit our books. He noted

that the Township provides \$140,000 to Paxtonia and it cost approximately \$200,000 a year to fund it. He noted that he cannot speak for the other fire companies. He noted that it is a money management item and he can't do anything other than what his association deems and they just voted for the second time during their last meeting to leave the FRA and start their own.

Mr. Rowell noted that the question is bigger than FRA. Mr. Crissman noted that it is the straw that is breaking the camels back. Mr. Rowell noted that he is not sure it is breaking anything as it will change how the funds are managed. He noted that everyone needs to speak up as far as where the relationship is between the fire companies and what would it take to fix it. He suggested that it is not FRA issue. Mr. Crissman noted that this is the issue that brought it to the surface. He noted that he wants to make it work for the betterment of the community and not for the betterment of Colonial Park, Linglestown or Paxtonia Fire Companies.

Mr. Rowell noted that they have made an effort to try to do that, bring some changes to the FRA that they thought were reasonable and would be a good thing but the Board said no and they get to do that. He noted that the three core tenants of the bylaw changes have to do with doing the allotments by way of splitting the funds 25% so that three quarters of the funds would go to the three fire companies and the other to the general fund. He noted that was approved by the FRA. He noted that the other item dealt with the voting mechanism for allowing a motion to pass, needing 80% of the vote to approve a motion. He noted that it was suggested in an effort to avoid two fire companies from being able to make decisions on behalf of the third fire company, requiring at least one person from each fire company to vote yes but it was not agreed upon. He noted that the final recommendation was to alter some wording that basically stated that the, the FRA Board's responsibility was to make sure that the expenditures were legal and legitimate and not whether they liked them or wanted them. He noted that there was discomfort in approving that recommendation as well. He noted that two out of the three recommendations were not approved and they were very significant tenants for Paxtonia to feel comfortable to move forward.

Mr. Rowell explained that he and Chief Fife met with the attorney from the Attorneys General Office and they said that it could be done.

Mr. Hawk noted that you have a legal right to do what you are doing but he hates to see a civil war. Mr. Rowell noted that this is not what he wants to do, noting that Paxtonia came with a

proposal to try to find some middle ground but there was no desire to do that. He noted if no one is willing to do anything then there is no alternative.

Chief Fife noted that the changes that Paxtonia proposed protected everyone. He noted that it takes away the ability of the Board to have two fire companies telling another one what to do with their money. He noted that is the biggest issue. He noted that is also the biggest issue at Paxtonia's last company meeting. He explained that he sat outside Station 33 as he was not going to become engaged in another bout of arguing; he is not doing it anymore. He noted that he can volunteer his time somewhere else and not have to argue about it. He noted that he let Mr. Rowell represent Paxtonia and it went exactly as he thought it would. He explained that this is the second time that he came to meet with the Board and it has always been about something like facial hair or something else. He noted that he has started to refer to this room as the "Temple of Doom" because every time he attends a meeting he gets beat up because of something another fire company said that he had nothing to do with. He noted that he is being blamed for all of this even though Mr. Rowell noted that he has not voted or made a motion on any of this stuff.

Mr. Blain noted that no one is blaming Chief Fife for anything; the Supervisors just want to get to the bottom of what is going on with the FRA and the issues. He noted that it wants the three fire companies to work together; obviously you work together at fire scenes, why can't you work together outside the fire scenes.

Mr. Rowell explained that the two recommendations are significant in how others see them, but he does not think they are that significant. He noted that those two changes protect everyone and provide the ability to move on.

PSD Johnson questioned the other two fire companies why these amendments are not acceptable to the other agencies. Mr. Hawk noted that was a very good question. Mr. Kraska explained that he is the President of Linglestown, and the FRA, and from a Linglestown perspective, he felt that having a supermajority would deadlock the organization. He noted that he agrees with having the three fire companies vote on something as it is the democratic way but having a supermajority could roadblock any of the business. He noted that they did not feel that the majority approval was necessary on a voting issue. He noted that the other item for authorization is in regards to the issues that 22 years ago there was a problem with spending. He noted that the FRA was involved in excessive spending and one of the three fire companies got

into trouble. He noted that we are past that now and are in position to protect the fire fighters with insurance and safety equipment. He explained that the Board did not feel if something is needed to be purchased, for instance, if one fire company has a wigid, why should the other fire company buy one. He noted that the equipment belongs to FRA. He noted when a wigid is purchased; it needs to be available to all three fire companies as it doesn't belong to one fire company. He noted that in moving to that second tier of authorization beyond the Act 84 that it is not in the best interest of the FRA and its fire fighters to do this. He noted what they are saying is legitimate as you can have a voting mechanism where it states that the Board would acknowledge that something that is an expenditure is covered under Act 84 that is authorized. He noted that Sean Sanderson from Department of Community and Economic Development (DCED) stated that you can do it but his recommendation was not to do so. He noted after speaking with Mr. Sanderson on the phone, he called Mr. Rowell about it and he stated that they agreed to disagree so we can move on. He explained that he is not sure that there is a problem with the fire companies per se on a working relationship as he thinks that they work together for the most part. He suggested that the focus is that Paxtonia wishes to separate and receive their own compensation. He noted from his perspective, as president of the FRA, his concern is the fire fighters. He noted once they remove themselves from the FRA, the current things that are provided for them now will go away and they will have to start from zero.

Mr. Kraska questioned where they get their funds. He noted if the Township Supervisors decide that they want to recognize two FRA's then they would start getting funds as they are distributed. He noted what is currently in the FRA fund remains the property of it and would have to be returned. He noted if they separate it does not benefit the firefighters and his position is if they do that and if their membership has voted to do that, have they made an informed decision. He noted that he has been instructed by Mr. Sanderson and by Scott Witmer from the Auditor's General's Office that when Paxtonia sets up their FRA they will require a manual audit to ensure that all the property purchased by the current FRA is returned to it or that Paxtonia reimburses the FRA at a fair market value. He noted from Linglestown Fire Company perspective, if Paxtonia wants to do it, let them do it. He noted that it is their decision, however he does not think it will benefit their fire company. He noted that the current things provided

such as insurances and protection, education and safety equipment are there. He suggested, from his perspective, that the system is not broken.

Mr. Kraska explained that he agrees with Mr. Rowell that a fire company should not be allowed to expend \$100,000 a year on education, equipment etc. He noted that each fire company receives a yearly allotment and should not receive a dime more unless it is an emergency expenditure or something catastrophe comes up. He noted over the last couple of meetings, he tried to set up a Committee made up of one member from each fire company, not necessarily a board member but a member of the FRA to come up with policies and procedures. He noted, if you receive \$100,000 a year that is all you can spend unless it is an emergency expense which would have to come back to the Board. He noted that these mechanisms would help the Board make these decisions and get the membership involved in making these decisions. He noted that he thought this was a good idea since he heard Paxtonia's complaint to do something about the spending. He noted that he doesn't want to see that happen, the separation as it serves the firefighters of Paxtonia is no good. He noted that they will not have the current protections that they have. He noted that we have invested money in the amount of \$2.5 million so that if a fire company has a catastrophic loss, or an engine is involved in an accident and six volunteers are injured, or if volunteers are injured at a fire that the FRA could immediately start providing assistance to the fire fighter and their family. Chief Fife noted that he made a motion to pay for a fire fighter's bills at a recent meeting. He explained that he does not care, noting when Linglestown wanted to buy the ATV, noting that Chief Payne suggested that his request would cause some controversy, he voted for it.

Mr. Hawk noted that he appreciates the comments but what he heard is that Paxtonia has made that decision and that Mr. Kraska is not necessarily opposed to it. Mr. Kraska noted that he can't stop it. Mr. Hawk noted that there is nothing that the Board can do to stop it either. Mr. Kraska answered that there is. He noted if you don't agree with it and want the three fire companies to work together you don't have to recognize it. He noted that you have to recognize both FTA's, so in effect you could stop it. Mr. Hawk noted that they can go ahead and do it. He noted that it puts the Supervisors in an awkward position in that the Board has the choice to recognize them or not, and this is a major concern for the Board members. He noted that he has heard Mr. Kraska say that it would not benefit Paxtonia but if that is their decision, however, he

assumes that Paxtonia understands the implications and is willing to live with the pitfalls.... Mr. Rowell noted that it is important to understand that we are going to disagree, and he does not think that Mr. Kraska is accurate that there are no benefits for Paxtonia. He noted that Paxtonia has sought legal counsel and his fire company is not going into this thinking that we would hurt our firefighters. We would never do this.

Mr. Hornung questioned if the items that Paxtonia bought through the FRA would have to be paid back. Mr. Rowell answered that is the question and he and Mr. Kraska believe two different things. He noted that the current belief is that they will have to give everything back or reimburse the board. He noted that his legal counsel believes that the money in essence will be divided and the court will determine how to divvy up the costs. He noted that it is like a divorce.

Mr. Hornung questioned Mr. Stine what he knows about this. Mr. Stine explained, with non-profit corporations, which he assumed the FRA is, it is not a dissolution since there will still be two members involved with the association, he suggested that the orphans court has jurisdiction over those types of breakups. Mr. Hawk questioned if they would make the decision. Mr. Kraska noted that it is in the manual, he noted that it is not Paxtonia's money, it is the State's money and there is a different mechanism so if they were contributing money into the association, that would make them investors, and then you would have the orphans court issue. He noted that this is State money given to FRA and we allocate the availability of funds based upon requests.

Mr. Hornung questioned what manual he was referring too. Mr. Ben Shields noted that it is not a manual, as the FRA funds itself and the money goes to the municipality who provides it to the firefighters, and the firefighters determine what is done with the money. He noted that the FRA decides what gets done with the money. He noted that the Lower Paxton FRA is sustained as an organization; however one fire company wants to leave it. He noted what everyone says is correct but the issue is that all assets that were purchase through this organization and all the money in the organization to include the investments, stays with the organization. Mr. Hornung questioned where it states that. Mr. Shields noted on the Internet. He noted that there is a manual. Mr. Hornung questioned who's manual is it. Mr. Kraska noted that it is from the Auditor's Generals Office.

Mr. Shields noted that a check was issued in October, and if they decide to leave they will not see a check until next October 2013 as long as the Township decides to recognize the second organization.

Mr. Hornung noted that Mr. Rowell's lawyer is telling him something different and he questioned where he is getting his information from. Mr. Rowell noted also from the State but from the organization's bylaws.

Mr. Hornung noted that you have talked about changing the bylaws with two major changes and you stated that you have this fear, and as he told Chief Payne at the last meeting, whenever he hears that word, he noted that fear is something not yet realized. He noted that a change could be reversible and he suggested to try it for a couple of years to see what happens, and if it doesn't work then you can go back to the way it was and if Paxtonia wants to leave after that, then they could leave. Chief Fife noted if we didn't agree... Mr. Kraska noted if we went with the supermajority we would affectively say that all three fire companies must agree on a situation or issue or it doesn't go through. He noted if two of the three fire companies do not want to do that you would need the third vote to... Mr. Stine noted that is not true if you put a time limit for making the change only for a two year period.

Mr. Hawk noted if this was to go through, what would the reaction be with the rest of your members. He noted if it stayed the way it is, it would be putting the Board in a very difficult position. He noted that there is no way to win.

Mr. Kraska noted that he can't speak for Chief Payne, but he will agree to disagree noting that he and Mr. Rowell have communicated very well on this issue trying to get through some of this to move forward for what is in the best interest of the citizens. He noted that his concern is what is in the best interest for the fire fighters. He noted that he is 45 years old and he doesn't go out on the apparatus much to fight fires but there are guys who come out day in and out. He questioned if we can do what Mr. Stine suggested, yes, he could see that. He noted that he would stipulate as long as it works out he has not problem as long as we have a mechanism that would permit a change if it doesn't work out. He noted that he does not know what Colonial Park would say about that but from his position he is agreeable to stipulate a time limit and if it works, it works and if it doesn't work, then it doesn't.

Chief Fife noted that he is fine with that because in court the Paxtonia Fire Company would win, but what would be the trigger that makes the mechanism work. Mr. Stine noted for instance, the supermajority vote, you make an amendment to that affect that it would be effective for two years from the date of adoption. He noted if it is not readopted at the end of the two-year limit, it expires. He noted that no action would be needed for it to expire and it could go back to the way it was before. He noted if during the two years, it is working, you can readopt it for another period of time.

Mr. Hornung noted that he needs more information from Mr. Stine but it appears that someone will be wrong in their determination and if it doesn't go your way, we may have a fire company that was in great shape before hand in trouble because its' assets will be taken away or they will have to pay for them. He questioned if Paxtonia is willing to go through that and is it to the benefit of the community if Paxtonia was to lose in court and have to pay for those assets or give them back. Mr. Rowell noted that it is something that is not desired and the fire company is clearly aware of what was just said and they have heard from him on numerous occasions and from the fire company's attorney as well and ultimately someone will be right and someone will be wrong. He noted that there is a risk and the membership has said that they are willing to take the risk, knowing that financially they would survive. He noted that they would not jeopardize the ability to provide service. Mr. Hornung questioned if Paxtonia would still go down this road even though it would...Chief Fife noted that we would ride our fire equipment and keep on running. Mr. Rowell noted that it is not something we would want by any stretch but we could. Mr. Hornung suggested that it would be more detrimental then hanging in there but it is Paxtonia's decision and not his.

Mr. Hornung noted that he is hearing that Paxtonia may be willing to try a two year amendment on certain things and if the membership finds that acceptable, Mr. Rowell would also find that acceptable. Mr. Rowell noted that the fire company has to make the decision and he would certainly go back to them to help them understand the benefits of that. He noted if they could get both of those policy changes for a two-year provision that is reasonable. Mr. Hawk suggested that before Paxtonia pulls the trigger that they resolve what happens to the assets and money and they may find that the way they want to go may not be the ultimate answer. He noted if they are still convinced to try it for a two-year time period, any changes would expire and

would have to be reaffirmed. Mr. Rowell noted that he would see the benefit of that. Chief Fife noted that during the last company meeting, the membership wanted to pull the trigger and they wanted to file the paperwork the next day. He noted that he explained his position to the members before the meeting and that he would not want to do this, however, he doesn't get to make the decision. He noted that the Board members are elected officials and sometimes you may not like what you have to do. He noted that he has to do what the membership wants and he does not know what the best thing to do is. He explained that he likes to get along but since he has been a member of FRA he has been screamed at about things that happened 18 years ago, things he was not a part of.

Mr. Hornung noted that Chief Fife held his membership from acting and we need to move forward, get rid of the past and try to make this work as it provides an opportunity to put it together. He noted in trying to create an incredible Township, one of the best around, it is due to the volunteers with everyone benefiting when everyone works together as we have a greater team effort and outlook. He explained that the Board does not want to get in the middle of this but if you guys can work this out, we want you to work together. He noted that it is the Board's goal, as the Township is recognized as one of the best and he knows of firemen who wished they worked in our Township. He noted that they have a great deal of respect for how well you run your fire companies and how we all cooperate and make them the best fire companies that they are.

Mr. Rowell noted that he agrees with Mr. Hornung and he likes the idea and would like to have the other fire companies talk about it and see if they are amiable to it and then we could do something at the January meeting. He noted that he is not in any rush noting that he would rather wait to see if we can come to an agreement on this.

Mr. Crissman noted if it was just the purpose of tonight's meeting to bring the fire companies a little closer, it has been successful. He noted when Mr. Kraska said that it might be a way to make it work it is a step forward to keeping us closer as a family.

Chief Swank noted that we are here because of one major issue. He stated that he explained to Chief Fife how he was going to vote on an issue and that he had concerns about a particular expenditure and how the Board would have viewed the FRA buying a particular item and how it would affect all three fire companies in the future when they ask the Board to buy

other items for us. He noted that ultimately that is why we are here. Chief Fife noted that was well said. Chief Swank noted if that item would have been purchased then the Board would have looked on it with a very negative basis thinking that the fire companies might not get stuff that they currently get.

Mr. Kraska noted that we aired that laundry out during a meeting.

Mr. Blain noted that it concerned the tower truck that Paxtonia wanted to buy and they wanted to use Firemen's Relief funds to buy it but they did not have enough votes to do so. Mr. Rowell agreed. Mr. Blain questioned if the bylaws are changed, how would it change that vote outcome. Chief Swank noted for the current system that we are proposing it still wouldn't happen. Mr. Kraska noted that it would have occurred. He noted that the Board would have effectively had to determine if it was or was not an expenditure approved by Act 84 and the answer is yes it is. He noted that the bylaws say that you have to vote in the affirmative to buy the tower truck. He noted whether we think personally it would benefit the Township or the future impacts for fire apparatus purchases, we would have had to vote in the affirmative because it was an Act 84 approved expenditure. Mr. Blain noted that the bylaw change that is being proposed would have allowed that to happen. Mr. Kraska noted that it removes the second layer of checks and balances. He noted that removing that layer of checks and balances is not beneficial and that is where we disagree.

Mr. Blain noted if we make the bylaw change for a two-year period, then you would be able to purchase the ladder truck. Mr. Rowell noted that they could but they won't do that. Mr. Blain noted if you wanted it in the beginning why won't you buy it. Mr. Rowell noted due to other things that have come up since then, we are not going to do it. He noted that he does not disagree with Chief Swank but that was not the issue. He suggested for many of our guys that is the issue. He noted that he could care less if we had another ladder truck or not, that is not the issue. Mr. Crissman noted that it is not good to linger on it. Mr. Rowell noted that we could move past it. Mr. Crissman questioned how we move on. Mr. Rowell suggested that the two year trial for the amendment is middle ground and it meets everyone halfway. He noted if folks think that the truck is an issue, then for the next two years we won't buy a truck.

Chief Fife noted that Chief Swank did a good job for what he said and he maintained that he has had disagreements with the fire chiefs but he can talk to Chief Swank when they disagree,

as Chief Swank came to his fire station, explained his concerns, and he agreed with him that he did not want to do anything when we made the suggestion about the second truck. He noted that some people said it was not NFPA compliant but it had a new aerial certificate. He noted if Paxtonia goes out and buys a truck, knowing that we could go out tomorrow and buy a truck and there isn't anything you can do about it because we have money in the bank, but if we do it, it may send a message to the Township that we don't need you to buy our fire trucks and then it would keep the Township from buying fire trucks for the other two fire companies or replacing our old ones. He explained that he told Chief Swank that he would never do anything that would hinder the fire companies from getting new fire trucks. He noted that the reason why membership is angry and Mr. Shields, who was here earlier and left, sat at the end of the table and said that this organization has never kept one of its member companies from making a purchase that was allowable by Act 84. He noted that he looked at Mr. Shields, stated that yes you did. He noted, for many years before they may have never said no to one of the member organizations but you did it now, and it left a bad taste in a bunch of guy's mouths. He noted that he is the representative for those guys so he has to come forth to the Temple of Doom and present his case.

Mr. Hornung questioned how relevant that is noting that he wanted to move forward and he wants to get this thing resolved. He urged Chief Fife, in the future, when you guys think you know what the Board members are thinking, such as pulling the plug on future purchases, why don't you just come and ask us. He noted that you can walk into this room any Tuesday and ask us.

Chief Swank questioned if we go out and buy vehicles the way it was being proposed, will you still buy us new apparatus. Mr. Hornung noted that he would say yes. Mr. Blain noted that we won't change our policy to put money away for apparatus. Chief Swank noted that is why he voted the way he did because he did not want to jeopardize... Chief Kraska noted that is the way he voted.

Mr. Hawk noted that the fire companies will ask the membership to implement the two year amendment to the bylaws and by the end of the two years the efficacy of your decision will be well known and you could renew it or go back to the prior way of doing things.

Mr. Rowell noted that the next step would be to get together and talk about it. Mr. Kraska noted that the FRA Board would vote on it and then take it back to its membership for them to approve it and then to take it back to the FRA. Mr. Rowell noted that he has no desire to file anything if we are in the process of trying to fix things, then we will wait as long as it takes. He noted that the fire companies can still say no and then it is done. Mr. Crissman noted that you are still talking but he would ask everyone to continue to work through the process and keep the Supervisors informed of what is going on. He noted if there is anything the Township can do to help make the process successful, he wants to be a part of that. Chief Swank noted that there has been talking the entire time.

Mr. Hawk noted that the Board's history has indicated that it has been very supportive of the fire companies and to do otherwise would not make much sense. He noted that the service that is provided to the citizens of the Township is paramount and he is absolutely awed when he attends the annual banquets to hear the number of calls that the volunteers go on.

Mr. Hornung requested Mr. Stine to look into this to see who is more accurate in their explanation. Mr. Stine suggested that someone would need to file the request to see what happens.

Mr. Blain suggested that Paxtonia pushed the issue for the vote knowing that it would be a negative vote and came to this meeting to get the bylaws changed. He noted that is what they wanted to do was to get the bylaws changed and they made it happen through the ridiculous request to buy the truck, and then pulled the trick of seceding from the union to get everyone up in arms to get everyone to do what they wanted. Mr. Hawk noted that the other fire companies passively supported the amendment. Mr. Blain suggested that Colonial Park is supportive of the amendment, but he did not think Chief Payne would be supportive either.

Mr. Hawk noted the only way for the Board to stop the move is to refuse to send the letter of acknowledgment to the State agency. Mr. Crissman suggested that we have delayed it for two years. Mr. Blain disagreed as he thinks the other two fire companies will come back and say forget it. Mr. Crissman noted that we may only have a month.

(Mr. Wolfe explained that Mr. Seeds stated that he would be late as he had to meet with an insurance adjuster in Delaware today. Mr. Wolfe noted that Mr. Stine could leave at this time.)

Mr. Crissman requested Mr. Stine to do more research on this topic. Mr. Stine noted that they mentioned a manual but he thought that a member of a non-profit corporation, if they want an accounting, and if they want the assets divided up, can petition the court for that no matter what a manual says. He noted that they are not investors but they are members of the association. Mr. Hornung noted that he was trying to determine what manual they were speaking about so at least Mr. Stine could look at what they are looking at. Mr. Stine noted if they are a bona fide volunteer fire company that provides service in the Township that is the only determination that there is. He noted that he did not see anything that allowed the Board to say no. Mr. Wolfe noted that they would have to be shut down in order to do that. Mr. Hornung noted that he has a lot of respect for all of them as they are doing things that he would not do. He wished they would come to the Board more to seek its opinion instead of just going off and thinking of how we are thinking. He noted that they have the best interest of the Township at heart.

Continues review of the Friendship Center 2013
Operating and Capital budgets

Mr. Wolfe noted that the Board members asked to discuss this topic as part of the financial discussion and he and Mr. Luetchford have been working to provide the Board with sufficient information to do that. He noted that he has a brief slide show and handouts to start the discussions.

Mr. Wolfe noted that he expects the Friendship Center (FC) Operating Fund (OF) at the beginning of this year to have a fund balance of \$123,000 and the Capital Fund (CF) a balance of \$167,000. He noted that these two funds have been used to cover deficits by the FC over several years and he showed a chart for how operations and deficits have been satisfied by these two funds. He noted for the year-end estimates he expects a deficit of \$56,000 for 2012, and he expects a fund balances for the OF and CF to total \$170,000 at the beginning of 2013. He noted that the proposed budget has significant capital expenditures for the FC in 2013, to replace aging equipment. He noted that the deficit is \$270,000 with corresponding fund balances of \$170,000 which puts the FC in the red by \$100,000. He noted if he followed the spending plan as proposed in the budget and replaces the aging capital facilities, by October 2013 the center will run out of funds.

Mr. Wolfe wanted to discuss this matter by reminding the Board how we got here. He noted that the FC started with the Township constructing a community center adjacent to Brightbill Park in land donated by the Township for community recreation. He noted that the preliminary design for the facility was 56,000 square feet and it cost almost \$8 million with the Township providing a \$2 million contribution, \$100,000 of annual support for operations and a guarantee of bond financing for the remaining debt necessary to cover construction which was approximately \$6 million. He noted that the Township developed a facility that is now the FC which fulfills the recreational needs of its customers by providing high quality health and fitness services at an affordable cost in a family-oriented social environment. He noted that we are not a health club and we don't pretend to be one, a community center by our structure at this time, heavily focused on recreation, health and fitness, but still a community center.

Mr. Wolfe noted that we have a for-profit center and we have parts that were designed not to generate a profit operating at a significant loss. He noted that the natatorium is a profit center as well as the weight and fitness center but the gymnasium does not make money. He noted that, given the amount of space it takes up, it is a large area that is losing money. He noted that the same could be said for the social hall; however the aerobics studio and classrooms are profit centers. He noted that the senior center is not a profit center. He noted that we have a west annex occupied by the Drayer Physical Therapy, a private corporate, that is a profit center and ancillary space such as lockers rooms, babysitting rooms, staff offices, and storage which are not profit centers.

Mr. Wolfe noted that the FC was built as a facility that inherently had space that does not generate revenue to cover its cost of operation. He noted that he has the 2012 membership rates for residents and non-residents.

Mr. Wolfe noted that he has the FC five-year running membership chart in the event there is a need to discuss this further.

Mr. Wolfe noted that staff has listed certain items to consider noting that not any one is a solution to the current situation. He noted to address the shortfall; staff could defer the 2013 capital expenditures to another year. He noted that the Board could apply fee-in-lieu funds to FC capital expenditures; however, it would be at the determinant of the outdoor recreation facilities. He noted that someone could reimburse the FC for the cost incurred by the senior center. He

noted in the recent discussion with the FC seniors from the Senior Center, Mr. Luetchford's efforts have reduced the costs of the senior center operation on the FC but there is still some costs. He explained that he included that latest letter in the packet that explains that status of those discussions with the seniors. He suggested that this issue can be put to bed without further discussion with the seniors recognizing the fact that there will still be some costs that the FC will incur.

Mr. Wolfe noted that the FC has discussed instituting an aggressive capital campaign, extend the existing FC debt, reducing the annual debt service, noting that it is 20% of the total operating costs. He noted that Mr. Wenger will be discussing the debt service later in this meeting. He noted that he has asked Mr. Wenger to look into the ability to restructure the FC debt and he stated that it could be done. He noted that we have discussed the potential to change portions of the FC through occurrence of additional debt for capital expenditures that are contained in the 2013 budget or for expenditures to add for-profit active space at the expense of removing and changing the social hall. He suggested that the 40 foot by 60 foot space could be added to the weight and fitness area which would increase a profit center by 30% but walls would need to be reconfigured and there would be an investment in cardio and vascular equipment. He noted that it would incur additional debt, and suggested that we need to discuss other potential options.

Mr. Wolfe noted that he included the Ballard King Report and Mr. Luetchford has a summary of that report to distribute to discuss action items. He noted that he included the senior response letter which was reviewed by the FCOB and recommended to be sent to the Friendship Senior Center. He noted that Mr. Hornung requested a staffing chart that was prepared by Mr. Luetchford. He noted that the cost of operations for the past five years has been prepared for Mr. Blain. He noted that it was not a very easy task to do this. He noted that Mr. Hornung requested the status of programs at the FC and what they generate and that was provided from the 2012 Annual Report. He noted that the FC membership was also provided. He noted that the Capital Plan Resolution and narrative was included that was adopted in the beginning of 2012 that put all the capital facilities within the FC and amortized them and determined the annual cost necessary to provide for those facilities over a 20-year time frame. He noted that the annual cost is roughly

\$170,000; an amount that is needed every year, in addition to the operating funds are needed to maintain future capital needs.

Mr. Luetchford distributed the five-year budget showing revenues and expenses for operating funds as well as what is proposed for 2013. He noted that he attempted to take out the capital issues to come up with the actual operating expenses. He noted for this year the revenues are over expenditures however there are negative numbers for most years, 2009 being the year the FC was actually in the black by \$20,000 and all the other years it has been in the red, with this year having a very small number. He suggested that it is an involving number and will be like the past years with 2013 having a deficit of \$145,000.

Mr. Blain noted when you mentioned that 2012 will be like the previous past years, do you mean that there will be a deficit of \$30,000. Mr. Luetchford noted that it would be between \$30,000 and \$60,000. Mr. Wolfe noted that the logical question is how you can do this. He explained the reason we have been able to survive over the past five years with deficits is that the five years before that we had surpluses and no capital expenses needed during the first five years of operations as everything was new, we were in good economic times, and it was a new facility. He noted that we refunded bonds at least once and the refunding savings went to the cash account for the FC. He noted that is how the FC has been able to meet its deficit over the past several years. He noted that next year there will be no refunding savings and past year's revenues to survive on and we will be out of money. He noted that the refunding that the Board will contemplate for the 2006 debt will not affect the FC, only the Township and Authority. He noted that we must either restructure the FC debt or issue new debt.

Mr. Blain questioned if this included the \$100,000 the Township provides to the FC. Mr. Luetchford answered yes. He noted if the FC was a standalone without the Township contribution, the losses would actually be \$100,000 greater. Mr. Wolfe noted that may not be the case as there would be no revenue from the Township, but if they were a standalone, the Parks and Recreation Department would not be housed in that building or we would be renting space from them.

Mr. Luetchford noted that the FCOB has been using two documents, one for key recommendations and the second, other recommendations, as a result of the Ballard King report. He noted that the key recommendations indicated what Mr. Ballard made from his report, the

status of the recommendation and priority of the recommendation made a year ago by the FCOB. He noted that the implementation goals are also listed as well as those who are responsible for the goals. He noted that it is an overall view of where we are.

Mr. Wolfe explained that Ken Ballard was hired three times by the Township, the first before the building was built to discuss how to set up the operations, a second report was conducted in 2004 to do an audit, and in 2011 to determine if the FC was operating in the most efficient manner. He noted that the FC operates in the top 5% of municipal community centers nation-wide. He noted that we are built as a community center with certain areas as give always but we will continue to have them unless the Board wants to change the nature of the operations. He noted that there are means to gain more efficiency and change the operations to maximize revenues but not changing the overall feel of the community center. He noted that FCOB further refined the recommendations to a return to self-sufficiency. He noted it includes the key items that staff found to return to self-sufficiency. He noted that some items on the list have been completed, by minimizing the hours and consolidating staff. He noted that they eliminated a program discount for seniors and second family members, and implemented a program withdraw fee. He explained that they added summer and fall mini-sessions for continuous programming. He noted that the FC has contracted with Drayer Therapy to rent the west annex, implanted a capital improvement plan, a cardio equipment replacement plan, eliminated free senior use of the FC center and requested cost reimbursements, increased pool rental fees by LPAC, increasing their fees by 47% and is looking for a second Sunday church rental.

Mr. Luetchford noted that projects underway are to establish a daily program fee for selected fitness classes, promote that patron do not have to be a member to join a program. He noted that additional projects for consideration are to refinance the FC debt, establish a foundation to operate the FC and collect funds, establish a premium membership with free basic fitness classes, consider selling advertising or naming rights within the FC, offer on-line registration as soon as possible, but it comes with an expense of \$35,000. He noted that these changes would bring the FC into today's market. He noted that there are four listed projects for the capital investment such as the lap pool replastering, fitness equipment replacement, building HVAC control replacement, and parking lot re-sealing. He noted that the fitness center could be expanded into the hall or gym area, and the fitness classes could be expanded into those areas as

well. He noted that the FC could reduce its hours or expand its internet presence, enhance its website and use social media. He noted that is what young people use these days. He noted that there are more recommendations that could also be done in the future.

Mr. Hawk questioned what the term audit implies. Mr. Luetchford explained that it came from the Ballard King Report, an operational audit. Mr. Hawk questioned if Mr. Luetchford had any ideas of what the result for the increase revenues would be from these changes. Mr. Wolfe answered that we are not at that stage; however, some of the items cannot be implemented unless the Board would issue additional debt. Mr. Hawk noted that there is the expense of adding additional cardio equipment. Mr. Luetchford explained that we have begun to do that and have been using a lease replacement program for the past two years.

Mr. Wolfe noted that we have provided the Board with much information and will need direction for which way to go on this. He noted that Mr. Wenger is present and will be talking about the potential to refund existing Township debt and how to select a financial advisor as well as the potential to extend the current FC debt or to add to it.

Mr. Crissman noted when you look at the \$2 million; you will see that we have almost \$400,000 debt service against it. He noted that it runs for nine more years before the \$400,000 goes away that could be used for the ongoing operations. He noted that we need to think of what we can do for that nine-year period as well. Mr. Wolfe noted that we could extend it to a 15-year period for debt. Mr. Crissman noted that 20% of the entire budget is debt service and he questioned what affect that would have. Mr. Blain questioned if the debt service is paying the principal and interest. Mr. Wolfe answered yes. Mr. Blain noted that the report shows that we have a cash deficit and that the FC has cash flow problems.

Mr. Wolfe noted if you go to the last slide of his presentation, it lists certain items as options to address the shortfall. He explained that he does not expect the Board to solve this problem tonight as it would take time and effort. He noted that it was suggested to bring in an outside individual and it could be Ken Ballard as he knows the marketplace and he knows the FC to further participate in the process. He noted that we could look at the list to consider determining what the low hanging fruit is. He noted that several Board members have suggested that restructuring the debt is something to look into. He questioned Mr. Wenger if the Board would choose to do a refunding; would we restructure the debt at the same time. Mr. Wenger

answered yes. Mr. Seeds questioned why it was nine more years of debt. Mr. Wolfe answered that the debt was for a 25 year term. He noted that we did 20 years for the Township debt and 25 years for the FC. Mr. Seeds questioned if it is nine more years starting with 2013.

Mr. Wenger explained that there are two pieces that make up the FC debt. He noted that \$1.5 million runs out in May of 2017, and there is a little over \$1.1 million that runs out in April 2021. He noted that the debt is reduced in five years. He noted that it totals about \$3.1 million. Mr. Crissman noted in 2017 the debt would drop. Mr. Wenger noted that almost half of the debt would have been paid by 2017. Mr. Crissman noted that it might drop \$200,000 by 2017.

Mr. Wolfe questioned Mr. Wenger what he would suggest if he was to restructure the debt. Mr. Wenger answered that all of the FC debt is non-callable bonds so we have to work around that. He noted that he would have to spend some time discussing this with Mr. Smida to make sure he is on board with what he would propose for restructuring. He noted that since half the debt drops off by 2017, you might only want to look at the front-end to lower the debt service, so over time it becomes more level like a mortgage to get some relief up front. He noted that he needs a target number that the Board would like him to get to. Mr. Hornung questioned how you would do that if it is uncalleable. Mr. Wenger noted that we can do something called a super funding where we take a couple of years of debt service out and move it to the backend, basically refund the early years and create a more doable like structure. He noted because they are not callable we may be able to escrow the \$1.5 million to their respective dates. He noted that it would have a cost but if we have a target number he thinks he can help the Board. He noted if you are looking at a reduction of \$150,000 a year or whatever the number is that is the starting point.

Mr. Seeds noted that there was some mention of using fee-in-lieu funds, although we have not had much, can we do that. Mr. Wolfe noted that you can use fee-in-lieu funds for community development and capital facilities for community recreation. Mr. Luetchford noted that the FC is a facility in a park just like any other facility in a park. Mr. Wolfe noted that the Board has never used those funds for that before, and we are not recommending that, we are just adding it as a possibility. Mr. Luetchford noted that the Township has a variety of other outdoor facilities that are not in good condition at this point. Mr. Seeds noted that he was only asking the

legality of the use. Mr. Wolfe noted that it is a municipal owned facility and the Board could use those funds for the FC.

Mr. Hornung noted when you say there is a cost, how much are you talking. Mr. Wenger answered that we would have to put money aside to pay off the old bond proceeds until the bonds come due. He noted in today's marketplace you would borrow 2 to 2.5% but we are only investing that money at a fraction of 1% so there is a carry cost of 2% from the day you borrow the new money until you pay off the old bonds. He noted that it might cost \$45,000 to \$47,000 for the five-year period as an add-on to your total cost. He noted that it would be akin to refinancing a mortgage at a lower rate and paying the points.

Mr. Wenger noted that because of the current debt structure, the savings drop out over the next five to six years so you have approximately \$50,000 to \$60,000 of less debt service in the next six years in the General Fund that is not FC debt but depending on how fundable your line items are, you may be able to use that as part of the solution. Mr. Wolfe noted that FC's premise is that with some qualifiers it should be financially self sufficient.

Mr. Blain noted that he would like to look at the base operations, noting that we can get some debt relief but it still does not answer the problem of running deficits annually, operating from the same debt service from day one. Mr. Luetchford noted that he is looking at 2007 with a debt service of \$380,000; 2008 - \$384,000; 2009 - \$366,000; 2010- \$383,000; 2011- \$373,000 and for 2012 it is \$381,000. He noted at some point in time we were operating in the black with debt service. Mr. Wolfe answered yes. Mr. Blain noted that now we are not operating in the black mostly due to decreased revenues. Mr. Wolfe noted that revenues have gone down and capital needs have increased as things are breaking, and in the first several years we had no capital needs. He noted that they are not small numbers for the facility.

Mr. Blain noted from the operations, what from your list of items of returning to self sufficiency can we do that will be base operations related to help improve the top line revenues or expense impacts. He noted from this analysis, projects completed, staff consolidation and hours minimized, what was the dollar impact for that and how does it play into the 2013 budget. Mr. Luetchford answered that it was done over the course of time.

Mr. Wolfe noted if you look at what we have and boil it down to a community center, and look at the facilities that do not generate revenue our problem is that the revenues are stagnant.

He noted that we have operated on \$2 million of annual revenue for the past three to four years. He noted to maintain services we have to decrease expenditures just like we have done for the Township. He noted that we can't decrease the expenditures much more at the FC and we need to generate additional revenues. He explained that we are sitting with two areas in particular that are none profit centers that we need to turn them into profit centers. He noted that he would ask Ken Ballard for his opinion before doing anything. Mr. Seeds noted that he already said that in his report. Mr. Luetchford noted especially for the social hall. Mr. Blain questioned if specific studies have been done on the profit centers to determine if they are truly profit centers. He questioned how much money we are generating from rentals in the natatorium against the expenditures to run it. He questioned the same for the weight and fitness center. Mr. Wolfe answered that we have not done that but half of the revenue is membership revenue. He noted that it is not tied to any specific area. Mr. Luetchford noted that there is a history of experience that nationwide all community centers will have certain areas that are profitable and others that are not because of the nature of their being. He noted that the gymnasium does not generate income versus the cost of heating etc. He suggested that the weigh/fitness center is probably the best profit center a community center can have as you are not constantly heating the water or filtering the water as in the natatorium.

Mr. Wolfe noted if you analysis the use, per-person per-square foot, the gymnasium and social hall get far less use than the natatorium and the weight fitness center or classrooms. He noted that they are nice to have and you can see 30 people in the weight and fitness center and no one in the gym. Mr. Luetchford noted that is why the profit fitness centers are set up differently having a heavy emphasis on weight and fitness area and may have a small gym with no senior centers or preschool classrooms. He noted that we want to provide those services. Mr. Seeds noted that they are probably not paying the wages that we are paying. Mr. Wolfe noted that is an issue for us as a municipality. He noted that some of our people are union workers as well.

Mr. Wolfe questioned if there are any centers like ours that are run by a foundation, separate from the Township's bargaining units. He noted that we are paying higher wages. Mr. Blain noted that he agrees with that but we have been dealing with that since day one, and somehow we have gone into deficit spending, so how do we get the operations in better shape. He questioned if investments need to be made to the FC to make it work. He noted if we want to

make the FC profitable maybe we need to invest in significant state of the art equipment or expand the facilities but before we do that we need to understand what would be the profit impact of doing that. He noted that maybe part of that would be refinancing the debt but he doesn't want to extend the debt out to a longer period of time to get a little reduction so we can operate on a break even basis. He noted if we are to refinance the debt, we should be taking the money to reinvest it in the facility to increase profitability to pay off the debt faster. He noted that we have been dealing with wages and the debt structure since day one and it hasn't changed. He noted that we need to look at this differently as revenues are stagnant, expenses continue to creep up but there comes a point where you can't continue to cut, sooner or later you cut into your revenues as you will lose service and the ability to do things. He noted that maybe we need to invest in the FC, but before we do that we need to understand what the payoff on that investment will be and what areas are the best for it. Mr. Wolfe noted that he is not qualified to answer that, and as a group we may not know what investments to make in the facility to generate significant additional revenue. He suggested that we need outside assistance in that regard and he would not want to suggest borrowing \$500,000 to put in additional weight and fitness.

Mr. Crissman suggested it is a Ken Ballard question. Mr. Hawk noted that we need to move forward with this issue. He noted if we bring in Ken Ballard will the income that we generate be eliminated by what we pay him. Mr. Wolfe noted that we have to do something. Mr. Hawk questioned if there is some low hanging fruit on the list that we could implement like the debt restructuring and move forward with that as it is something we can do immediately. He noted that he is not all that excited about implementing a program withdraw fee. He noted that he would rather see the people become members and not withdraw. He noted that there are some things that we can do to generate some income and then move to the larger item of additional investment.

Mr. Blain noted that he is not saying that we need to make additional investments but he is saying that we have to increase top line revenues. He noted if you do restructure the debt the budget for next year shows a \$145,000 loss, you probably would only break even or continue to be in a deficit situation. He noted that you have not solved the problem, operationally, what are we doing wrong that we need to try to increase and improve. He noted that membership

continues to decline, and he questioned, where are the areas that we really need to focus our time and if a profit analysis showed that the weight and fitness area does not make money then why wouldn't we further invest in that area to increase profitability. He noted if we did a true profit analysis and found that the natatorium or classrooms are profitable we need to figure how to make it that way or move to something else to use the areas differently. He noted that he is not sure what makes money and what doesn't make money and there might be some easy fixes to increase revenues to market it. He noted that he is not sure he has the right information to make those decisions. He noted that we can refinance the debt but it doesn't solve the systemic problem.

Mr. Luetchford noted that we have the audit report that says generally what we need to do, but we do need to qualify the things to find out what could be done now, or next year to implement all these things to move forward. He noted that we need the additional help to move down that road.

Mr. Seeds questioned if Mr. Luetchford's salary is tied to the FC. Mr. Luetchford noted that his salary, Ms. Wuestner, Ms Hiner and Ms. Sawyer are part of the Parks and Recreation budget. Mr. Blain noted that Mr. Luetchford is the Director of the Parks and Recreation Department and he questioned how much of his time is spent handling FC stuff as compared to Park and Recreation matters. Mr. Luetchford answered that the majority of his time is spent with the FC. Mr. Blain questioned if Ms. Wuestner's time is mostly Park and Recreation. Mr. Luetchford suggested that she splits her time between the two entities but probably a little more than half is spent on FC issues. Mr. Blain questioned if most of the time concerns operations such as programming or staffing issues or do you have a lot of financial management that you deal with as well with the FC. Mr. Luetchford answered that it is a combination dealing with the breakdown of equipment for the facility or disciplinary matters.

Mr. Hawk questioned if the membership is increasing. Mr. Luetchford answered that it is eroding over a regular basis. Mr. Seeds noted that Mr. Luetchford mentioned local schools rent the facility on Sunday evenings. Mr. Luetchford suggested that he was referring to the revenue generated from PTO groups that use the FC. He noted that we have other groups in on Sunday evenings as well.

Mr. Wolfe noted that the overall membership numbers have stayed relatively level for the past several years but the annual memberships have decline, noting that many seniors have their membership paid by programs that didn't exist when the FC first opened. Mr. Luetchford noted when a senior is using an insurance membership we are not getting the \$35 dollars per month payment, noting that we only get paid \$3 or \$4 per visit which reflects more like a \$10 per month payment. He noted that many of the seniors whose memberships were paid by the first generation health membership or by their own memberships are not on special plans. He noted that the total numbers going back to 2006, following the red line is not numbers rather how they are paying that is changed. He noted that many seniors are on second generation plans from their health care providers; whereas; in the beginning they were full fledge members. He noted that Blue Cross and Blue Shield offered to pay memberships to health clubs for seniors to become active and stay healthy. He noted that it was great at that time as the FC was getting more senior participating then we do currently. He noted instead of paying a full membership they pay for the time that they show up at the FC. He noted that the number is the same but the ability to generate money from that number has changed.

Mr. Hornung noted in the last quarter the membership dipped, why is that. Mr. Luetchford answered that some numbers are due to the day that the report falls on. He noted that you may have a certain number of people who decide to cancel at the end of the month but in the past week we had five new memberships. Mr. Wolfe noted at the year end, between Christmas presents and New Year's resolutions, the memberships may go up. He noted over time the numbers normalize.

Mr. Blain noted that he would like to discuss the 2013 Budget and what can be done to mitigate some of the pain. Mr. Wolfe noted that we can defer the capital expenditures saving \$124,000. Mr. Blain questioned what would be deferred. Mr. Luetchford answered that it would include the replastering of the lap pool, new controllers for the HVAC units and pumps, resealing and restriping the parking lot, and purchasing more fitness equipment. Mr. Blain noted if we did not do those items, what the impact on the revenue side is. He noted if we defer buying new equipment what the potential impact will be on the membership. Mr. Luetchford noted for the lap pool the issue is an aesthetic thing, and we could lose members from that versus a someplace else that has a new pool. He noted that the controls for the HVAC impact if the

rooms are hot or cold and if the water is not controlled you will have people who are very upset. He noted that they contribute to the value of the customer. Mr. Seeds questioned if the money comes out of the general budget or the capital reserve fund. Mr. Luetchford explained that the suggestion is that the operating expenses including those items would be paid by the cash account and the capital improvement fund. Mr. Wolfe noted if we include those in the budget we have a deficit of \$100,000. He noted that we can't do them all, no matter what, unless we restructure the debt in some fashion to save \$100,000. Mr. Seeds noted that it would spend down the reserve fund... Mr. Luetchford noted to zero.

Mr. Wolfe noted that it would only be a one-year fix.

Mr. Hornung questioned if you do exit interviews with people who leave, and he noted that there is a loss of revenue from the senior's plans, but no one can tell me what that number represents of the 700 memberships that we have lost. Mr. Wolfe noted that we have not lost memberships... Mr. Hornung noted that we have lost membership revenues. Mr. Wolfe noted that it is a significantly different issue. He noted that one is money and one is people. Mr. Hornung noted for membership revenue, when you have sales going down then he looks at the amount of people coming in the door. He noted if the same amount of people are coming in and he is getting less money from them that is different. He noted that he can't tell that from those charts. Mr. Wolfe noted that he has the number for Mr. Hornung...

Mr. Hornung noted that it looks like the overall membership had gone down but he questioned if we are running an entity that is losing its appeal because of the lack of items or other factors that are going on. He questioned did we cut staff too much as he stated that he has learned that lesson from his own business. He noted that this is the analysis that is difficult from his viewpoint and he needs an answer for why are we losing memberships or what do we have to do to get them back. He noted that we may have to revisit why the FC is there. Mr. Wolfe noted that staff cannot answer that question. Mr. Hornung noted that the Board will have to answer that question. He noted then we need to decide how to staff and fund it and set a course for it. He noted that maybe we can solve it without getting into the bigger question for why are we here. He noted that he has no problem with refunding but we need to solve the problem. He noted that he would have no problem adding more money to it but he wants to see the memberships go up and money come in through programming or memberships and a plan of action.

Mr. Wolfe noted that the maximum membership number at anyone point in time was 2,500 memberships of all different types. He noted that they were primarily annual memberships in the beginning but as the facility aged we started to add monthly memberships. He noted that the 825 for Healthways and Silver Fit memberships, adding those into the 1,400 you are getting close to the 2,500 figure. He noted that the 825 Healthways Senior Fit memberships no longer pay a lump sum annual membership, getting paid only for the visits that they make to the FC. He noted that we are not getting near the money that we did for that membership group as we did when the program first started. He noted that staff would love to see the FC grow in membership noting that the ultimate goal was 2,750 and we never hit it. He noted that the number of memberships sold by the facility has remained relatively constant; although it has changed in its composition and that has hurt the facility. Mr. Luetchford noted that the FC was forced to do that as the insurance companies offered free memberships to their people or it could have lost those memberships to other clubs. Mr. Seeds suggested that the FC is losing 50% of its membership funds as they used to pay \$30 a month and now the FC may only be getting \$12 to \$15. Mr. Luetchford suggested that it is more like \$10. He noted that is the issue with the 800+ Healthways Insurance memberships.

Mr. Wolfe noted that the end result is that the money is not there. He suggested that the problem is not the people in the door, but how the people are paying to get in the door. He noted that Mr. Luetchford is looking at ways to change how they are paying, for instance allowing people to drop in and participate in a class for a fee without a membership. He noted that most fitness classes cost roughly \$4 a class but a drop-in could pay \$6. He noted that we are trying this for the winter programs as it was a suggestion provided to us by Ballard King. He noted that it should help in revenue generation.

Mr. Hornung suggested that the solution to these problems are more appropriate at Mr. Luetchford's level, suggesting that it is the person who is there every day who can more easily solve the problem, such as Ms. Wuestner and Mr. Luetchford. He noted that the hit rate will not be 100%; however there is a concern that only one of five will work and the other four ideas will be lost. He questioned if you are willing to take that risk, noting that solving the problems with memberships allows you're the freedom to solve the problem. He questioned going forward where we can react quicker to steer the boat to make course corrections to try to alter the income

coming in. He noted that the guy working the floor knows what course corrections are needed, however, sometimes someone higher up needs to help solve some of the issues, working together as a team.

Mr. Seeds noted for the 800 memberships, the FC is losing between \$150,000 and \$200,000 a year from the full membership to what it is reimbursed by the insurance companies. He noted that is a lot of money.

Mr. Hornung questioned should we raise the three, six and nine month membership rates to push more people back to the annual membership rate. He noted that we need to figure how to solve the problems on a daily basis to make it happen. He noted that Mr. Luetchford came up with some options that are awesome, but he doesn't have the time to do all of this.

Mr. Blain noted that Mr. Luetchford does a great job running the facility, but he questioned if he needed help with the fiscal management of the FC to understand more about its profitability and understanding more of the management details. He questioned if he was comfortable handling all this work and if he needed more time to do it. Mr. Luetchford answered that Mr. Wolfe is prepared to move forward as we continue to dwindle down on some of these priorities, for what impact it would have on efficiencies. He noted that he would like to work with someone who has the experience to determine that he is moving in the right direction or not. He noted that a fiscal analysis of the operations is something that Mr. Wolfe might know better than he for moving forward. He stated that he believes he is on the right track to maximize the FC effectiveness, noting that the FCOB has done a lot in the past year. He noted that we could use some help as there is only so much staff, as he has eleven full time staff and 480 part-time staff. He noted that there is not a lot to get involved in the day-to-day issues and that is where the help is needed. He noted that the direction is there but the time spent dealing with the issues is overwhelming.

Mr. Hawk noted that the question is what we need to do to make the FC more profitable. He noted if you know what the problem is and why business is down, you have a better chance of solving the problem, but if you don't know that you don't know what to do. He noted that it is a very simplistic way to approach running a business.

Mr. Seeds noted that sometimes there may not be an answer to the solution, for instance, noting if you don't accept the seniors insurance memberships, they will go somewhere else. He

stated that he does not know how to fix that. Mr. Luetchford questioned if it is worth it, having a senior use a space for a small amount of money. He questioned if the insurance companies continue to lower the price will it reach a breaking point. He explained that he has no time to do an analysis and extra time or assistance to do that would be very helpful.

Mr. Hawk noted that the FC is different from a hardware store or an art gallery noting that you are looking at insurance issues or different areas. Mr. Blain suggested that Mr. Hawk is trying to say that you are moving ahead but how do you know the area that you are moving to is the right area to focus your time and attention on. He noted that we need to understand the profitability of each of the silos and what is happening as the details for the entire operation should dictate where you spend your time and attention. Mr. Wolfe noted at this time we are following the recommendations from the Ballard report. He noted that we have not completed an independent profit and loss analysis for each location within the FC.

Mr. Hornung noted that Mr. Luetchford is saying that he does not have the manpower to do this. He explained that he does not mind spending more money but he wants to know that it is being spent the correct way. He noted that Mr. Luetchford is stating that he has not determined that yet and does not have the time to do the analysis. He noted in place of spending \$25,000 and bringing in Mr. Ballard, is there something we can do other than have Mr. Luetchford do it. Mr. Wolfe noted that he would not lobby for Mr. Ballard, but at this point we need an outside eye. Mr. Crissman noted that Mr. Ballard may not have the background to do a program analysis and costs. Mr. Wolfe suggested that he might be an option, but there are others who could do it, but he is not lobbying to do it in-house or hiring additional staff. He noted that an independent eye from the outside is more appropriate at this point. He noted that he could do some research and provide recommendations to the Board for this work.

Mr. Hornung questioned if there is a way to reorganize Mr. Luetchford's staff to do this. Mr. Luetchford answered that staff has been working at a maximum for quite a while, although he could try to come up with more efficiencies to free up some time, they are working full time at their maximum. Mr. Hornung noted that your staff is very slim.

Mr. Wolfe noted that Mr. Luetchford lives at the FC. He noted that he knows the solutions but some times it is good to have someone who knows the field and is not married to the facility as we are, someone with more independence with a broader range of experience, that

can show has it has been done in different ways at other facilities and provide solutions for the FC. He noted that Mr. Luetchford could tell you how to run the FC, but that is not the issue. He stated that we need to know what we can do to change the center, and independent eyes would be good. Mr. Hornung questioned if they could view other facilities to determine what is missing. Mr. Wolfe suggested that they would have the knowledge of local facilities. He noted that there are regional firms that would do this and it would be money well spent to take the Ballard Report as the basis, not to recreate what we have done, and build from that. He noted that we have the recommendations from the Ballard Report.

Mr. Hawk noted that you need to know what the cause of the problem is. Mr. Hornung noted that Mr. Luetchford doesn't have the time to analyze it to determine whether it is sales or repairs. He noted that getting someone who has the time would be a good thing to do. Mr. Crissman noted that we are asking for a different kind of report from what Ballard has done. He noted that he provided ideas for what we should do to improve what we already have. He noted that we are looking at cost effective items that could produce additional revenue. He noted that staff and the FCOB is working on trying to complete the recommendations that Ballard has made but he questioned if the Board should have the FCOB continue or put it on hold until we get someone to look at programs to determine which are cost effective to continue or delete them. Mr. Hornung noted that he does not know the answer to that. Mr. Crissman noted that he does not either. He noted that revenue generated items are important to study.

Mr. Hornung questioned if the Board is prepared to refund the debt, and fix it. He noted that it will take some capital money to fix it and we need someone to tell us what it will cost. He noted that we need to make a decision to restructure the debt, borrow additional funds and find someone who can identify what we need to do to fix the problem and move forward. He noted that we need to run it more like a business to make it a break even enterprise. Mr. Hawk answered that he will buy into half of it. He noted that he will restructure the debt but he is not willing to invest more money until he knows where it will go. Mr. Hornung suggested that there may not be enough time to do that. Mr. Hawk noted that he does not want to waste money trying to do something that is not beneficial. Mr. Hornung noted that is not what he is saying; he is saying that you won't make it work by just restructuring the debt.

Mr. Blain noted that short term you have to restructure the debt. He noted that we need to spend some money to figure what is the profitability of some of the areas of the FC that will provide more direction for where to invest money. He noted that the FC needs the proper return to get into the black. He noted that the Board needs to do this within the next six month and then it needs to determine where to focus attention and what is going to provide the biggest bang for the buck.

Mr. Seeds noted that he does not want to restructure anything until he gets the report. Mr. Hawk noted that he could go either way. Mr. Blain stated that we need to look at the profitability of the areas that are making money. Mr. Seeds suggested that we need someone to do that study first. Mr. Blain noted once we know the profitability of the FC, it would provide Mr. Luetchford information for where he needs to spend his time to bring areas back to break even. Mr. Hornung suggested that we are all trying to say the same thing. Mr. Blain noted that we have to get on this and if we have to hire someone to get it done it will be money well spent. He noted if you spent \$20,000 on someone who determines that we need to shut it down then the \$20,000 worked to save money in the future. He noted that it may show that we could pick up funding by additional capital investments. Mr. Seeds noted that is the first step, to do the study, one step at a time but move quickly.

Mr. Wolfe noted that what he suggested was restated by Mr. Blain and if everyone is on that same page he knows what he must do. He suggested that he will bring back a balanced budget for the FC which will include a new debt number and only capital expenditures that meet our ability to spend. He noted if we don't have enough money to do something we don't do it. He noted that no one will want to put any GF money into this other than the \$100,000 annual contribution.

Mr. Hornung noted that we have to move fast on this as he sees the bottom number going down, and as the facility gets older it will lose membership and it is much harder to get people back once they left. He noted that he does not want to have a facility that needs repairs and members are leaving. He noted once you create that image you might as well shut it down. Mr. Blain noted that is what we need to figure out. He noted that we can do a RFP to do this type work. He noted that Mr. Wenger's business does this type of work for organizations. He stated that the Board is looking for a costing analysis by profit center and identification of capital

expenditures needed to increase profit centers for a five-year period. Mr. Crissman noted that he was leaning away from Ballard, however, if it is someone else, whoever does it should be in concert with the Ballard Report. Mr. Blain noted that whoever does the analysis would have to make the Ballard Report the centerpiece of what they are trying to get to and look at the suggested items from the report. He noted that we don't know the cost benefit of doing those items. Mr. Crissman noted that everyone has been working to resolve the recommendations from the Ballard Report and he does not want to throw them out at this point. He suggested if Ken Ballard had that ability he would have integrated it from the very beginning.

Mr. Seeds questioned if we will be discussing the letter to the seniors. Mr. Wolfe noted that we can. Mr. Seeds noted under number three it says that the FCOB agrees that the Letter of Agreement can only be changed by the mutual agreement of both parties. He noted that he thought the original letter stated that the Township could open the agreement at any time. Mr. Luetchford explained that the FCOB questioned if the Township could unilaterally change the letter of agreement and no one was challenging that. He noted that the FCOB wanted to discuss this further to come up with a mutual agreement. He noted that the seniors were under the impression that they were being told what the agreement shall be and that was not the intent of the FCOB. Mr. Seeds questioned if the letter was sent. Mr. Crissman noted that the Supervisors have to approve it before it will be sent. Mr. Seeds suggested that we were under the impression that we could open the agreement.

Mr. Seeds noted where you say that the Township requests reimbursement for expenses and support costs supplied by the FC, what do you mean by that. Mr. Luetchford answered that there was some discussion a few months ago to say that we can't require them to pay for costs. He noted that the agreement with Dauphin County is that we allow the seniors free use of east annex eight hours a day, five days a week; however the Township is allowed to request reimbursements for other uses. He noted that the FCOB discussed if it should leave that sentence in the agreement and if we wanted to send the seniors a letter requesting something after we sent the letter. He noted that the FCOB agreed to leave this in the agreement. Mr. Seeds noted that you are saying that however you are not telling the seniors what it is or how much. Mr. Luetchford explained that the FCOB already did that by way of the May 19th letter. Mr. Seeds noted that you have knocked off \$9,400 for some of the items so it would not be that much

and he suggested that you need to identify exactly what you are asking for. Mr. Luetchford noted that the FCOB can do that. Mr. Seeds noted that it does not identify what you are asking for. Mr. Luetchford noted that the FCOB wants to know if the seniors have any interest in helping with this point, and if they do we can further discuss potential numbers with the seniors. Mr. Seeds questioned what if they don't. Mr. Luetchford noted that they may not want to do that.

Mr. Wolfe noted that we can ask but they don't have to give us anything and the issue is done. Mr. Seeds noted that you are aware that you did not put costs in the agreement. Mr. Wolfe answered yes. Mr. Seeds noted that you want to see if there is any interest, but what will you do if they don't respond. Mr. Wolfe answered nothing. Mr. Seeds noted that it would stay the way it is. Mr. Wolfe answered that they have changed significantly how they are operating and we have reduced our costs to them as a result. He noted that the FC will be absorbing some costs, like the \$9,400 but we have made enough progress into the issue that in staff's opinion it is not worth fighting over anymore.

Mr. Seeds questioned if the FCOB approved this letter. Mr. Crissman answered yes with a recommendation that it be sent. He noted that the BOS has to respond to the seniors since the seniors came to Board and we made a commitment that the Board would respond. He noted that they accepted the letter and made recommendations. Mr. Seeds questioned Mr. Crissman if he was okay with the letter. Mr. Crissman answered that he was.

Discussion with the Financial Advisor regarding the refunding
of certain bonds and the potential to issue additional debt for capital projects
and
Review of proposals to provide underwriting services in the refunding of bonds

Mr. Wolfe noted that there is a time frame to do the refunding and Mr. Wenger is here to talk about the refunding of certain bonds.

Mr. Wenger explained that the bonds to be refunded are the 2006 bonds that are callable April 1, 2013. He noted anytime from January 1st and forward the Township could refinance and meet the federal tax guide lines. He noted that assuming that interest rates don't change, the best time would be on the redemption date so you don't have an old set of bonds outstanding for any number of days as well as a new set of bonds. He explained that he would come to the Board in late February or early March with final terms and conditions of the refunding issue to close on or

about April 1st pay off the old bonds and refinance them at a lower rate. He noted that the risk that interest rates would change between now and March 1st which is really the date that we care about is minimal. He noted that based on everything that is coming out of Washington, DC, and the Federal Reserve Board, it does not appear that interest rates are going anywhere in the next 90 to 120 days and probably for most of 2013. He noted that there is no need to rush to get this done in January or February, but the optimal date is to refinance as of April 1st, which means we have everything in place by March 1st. He noted that it means by January 2nd, we need to be full speed ahead, getting the credit process done, particularly since the Board would like to make a strong effort with the rating agency to see if we can improve the Township's underline credit rating. He noted that would take a little more time than just the traditional rating process and we want to make sure the rating agency is fully engaged in the process. He noted if we start in December, that gives us enough time to get all of that work done in advance of a bond sale that would be early March. He noted that you have selected the bond counsel through the interview process and the next step would be to determine what underwriter you want to negotiate with. He stated if the Board chooses to do a competitive sale we can do that as well. He explained if the Board wanted his help in the underwriting selection he would be happy to do that or you can do that on your own. He noted if you have not solicited proposals the process would take three to six weeks to do that. He explained that he could start the process without an underwriter at this point as it is a plug-in further down the road.

Mr. Wolfe explained that the Township has received proposals from PNC, M&T Bank and Boenning and Scattergood. He noted that they are into the RFP about 45 days, and all three have contacted him wondering what the next step is. He explained that he told them to sit tight and that staff will get back to them.

Mr. Hawk questioned if we have notified them that we will be interviewing them. Mr. Wolfe answered that he did not know what the Board would be doing so he hasn't notified anyone yet. He noted that a long time ago he suggested interviewing the underwriters tonight or December 4th, but we are backed up and the Board has made a commitment to make an EMS decision before the end of the year. He noted that we could do another early night on December 11th or 18th, and interview underwriters if that is what the Board wants to do. He suggested that the Board should discuss this with Mr. Wenger for how to go about the selection process. He

noted that you have hired a financial advisor and you should use him for this process. Mr. Crissman questioned Mr. Wenger what has he done in this role. Mr. Wenger noted that he would prepare the RFP, distribute it, receive the responses and try to summarize them and distill the many pages of marketing fluff, to get down to the few pages that affect the decision. He noted that he would present it to the Board and participate in interviews if necessary. He noted that he has done a reasonable amount of work with both PNC and Boenning and Scattergood and consider both very qualified firm but he has not worked with M&T. He noted that they are a new underwriting firm in Pennsylvania not to say that they have not done this work in Maryland or New York.

Mr. Wenger noted for the FC, the other piece is to determine what you want to do so when we start the rating process we have fully contemplated the scope of the project and not only actively portrayed what the budget looks like putting as much a positive spin on the process as we can. He noted that that he has other Township clients that own and operate community complexes so if you would like him to do research he could provide the Board with comparative data, budgets, fees, staffing and all that stuff. Mr. Wolfe answered absolutely. Mr. Wenger noted that facilities like that are much more common in the western part of the State where many Townships operate much larger operations, for example, Upper Saint Clair Township, five years ago, spent \$30 million on a community center and struggled mightily for the first five years.

Mr. Wolfe noted that he would send Mr. Wenger the RFP and the three responses that he received. He questioned, if Mr. Wenger finds the RFP and responses to be sufficient, should we schedule interviews. Mr. Hawk agreed. He noted that he trusts Mr. Wingers' judgment but he would not want to see him on the hook as it is ultimately the Board's decision and he would not want the Board to blame him for... Mr. Wenger noted that his firm would make a recommendation and the Board can choose to accept it, modify it or reject it. He noted that he is not afraid of offending an underwriter as one day they work with them and the next day their clients may choose a different one, it is the nature of the business.

Mr. Crissman questioned Mr. Wenger if any of the three choices would be a conflict of interest for him. Mr. Wenger answered no. He noted that we work with them but he understands that for each client everyday is a different circumstance. He noted that he has no formal or informal relationship with any other firm, accounting, underwriting, or legal of any kind.

Mr. Wolfe questioned if it would be too late to conduct interviews in the beginning of January. Mr. Wenger answered no as he would still be compiling and working through the FC solution in addition to working on the refinancing.

Mr. Hawk noted that the Board can't act on a bond until January. Mr. Wenger answered that is the earliest. Mr. Crissman noted that it would provide enough time to get the information to Mr. Wenger to review it and come back with a recommendation.

Mr. Seeds noted that he reviewed the proposals and did not see a fee. Mr. Wenger suggested that they did not want to quote a fee as they want to negotiate it with the Board. Mr. Hawk suggested that all three had a fee but they quoted it differently as dollars per bond. Mr. Wolfe noted that they will not quote a price of \$150 to do this as that is not how it works. Mr. Wenger noted that it is a variable fee and if there is a \$5 million transaction, the fee would be much lower than a \$10 million transaction. He noted that we can do whatever you want us to do.

Mr. Wolfe noted that he would get the information to Mr. Wenger and set up something the second week in January to conduct the interviews to make a selection. Mr. Wenger noted that he would discuss with Mr. Smida how to restructure the FC debt and what kind of relief he can get the Township. He noted that he thought that he heard that you were looking for relief of \$150,000 in the aggregate.

Mr. Hawk questioned if the nation will slide into a fiasco in 2013. Mr. Wenger noted that we expect it to create a lot of volatility in the marketplace which should help strong credits like the Township. He noted that an Aa credit, which is the top of the line across the nation, should provide for a plate of equality among investors, the more uncertain the more volatile it becomes. He noted that interest rates are often driven by the macro of economic events both domestically and internationally. He noted that he does not see that changing unless the fiscal fiasco really unravels. He noted that they ultimately have to come to a decision and consensus. Mr. Blain noted that it would be good for both parties to come to a solution. Mr. Hawk noted that Warren Buffet stated that he invested \$8 billion and he is very positive about investments. Mr. Wenger suggested that both side accomplished what they wanted to which was to push it into the November election as an issue that they could both deny responsibility for but now it comes down to the election is over and it is there. Mr. Blain noted that each party has a lot at risk if they don't compromise to make something happen. He noted if one party is a roadblock to the

entire situation and you go over the cliff it will cause significant damage to the party. Mr. Wenger noted that the White House holds the upper hand at the moment since there is a fixed deadline and the republicans stand to lose most of what they have argued for over time that they don't negotiate. He noted that both sides have a reason to do something, but he did not think that it is nearly as amicable as they are suggesting but he thinks it will get done.

Mr. Hawk noted that they could delay the decision by extending the Bush tax cuts. Mr. Wenger noted that they are talking about what the compromise will be so it puts them about four weeks ahead of what he thought they would be doing. Mr. Blain noted that many republicans have stated that they would be in favor of higher tax rates on the higher income individuals but it would have to be in return for meaningful expense cuts that would be permanent. Mr. Wenger noted that the risk is that the proposed solution is so superficial and bogus that the markets view it as no intent in Washington to solve this problem meaning that it is predicated on expense cuts that area either completely farcical or so into the future that it just doesn't matter.

Mr. Hawk noted if they reduce spending and increase taxes on the wealthy and Warren Buffet recommends 30 to 35% on the wealthy and if they reduce the deficit too quickly it could still throw us into a recession. Mr. Wenger noted that it is highly likely that whatever they do it will slow economic growth but the question is by half of one percent or one percent when growth is only 2% and the margin of error is very small, but the theory of government spending is you are taking away from the private sector to tax people to pay for that spending you have taken disposal income out of the private sector to put into the governmental programs. Mr. Wenger noted that the markets are starting to account for that.

Mr. Crissman noted that he would like Mr. Wenger to remember, as well as the bond counsel, that not only are you looking at this particular issue but he would like him to make certain that it gets incorporated into the overall debt service as he wants level debt service. Mr. Wenger noted that the issue on debt service under the Pennsylvania law is that it has to level or descending, you can not escalate debt service, and with the recent resignation of Bernadette Barattini as the head counsel at DCED, it is a much more focused issue than it had been. He noted for refinancing, if you take savings out over three or four years and the debt service jumps up, DCED takes exception to that. He noted that you will have level debt service. Mr. Crissman noted that it did not always occur, especially for the Board that Mr. Wenger sits on, prior to

1999. He noted that it is crucial when you have to go to your constituents. Mr. Wenger noted that part of the challenge in refinancing the FC debt is going to be that point, having level debt service. He noted that there are a couple of things he must consider before he brings it back to the Board with a structure.

Adjournment

There being no further business, Mr. Crissman made a motion to adjourn the meeting. Mr. Blain seconded the motion, and the meeting adjourned at 8:38 p.m.

Respectfully submitted,

Maureen Heberle
Recording Secretary

Approved by,

Gary A. Crissman
Township Secretary